Exchange Work Group
July 30, 2012
Meeting Minutes

Attendees: John Kingsdale, Dan Meuse, Matt Harvey, Deb Faulkner, Dawn Wardyga, Amy Black, Bonnie Larsen, Ted Almon, Stacy Paterno, Chris Kent, Mike Ryan, Amanda Clarke Chris Koller, Rebecca Kislak, Elaina Goldstein, Dr. Post, Mark Deion, Jay Raiola, Deloris Issler, Al Charbonneau, David Keller, Katie Ryan, Lindsay McAllister, Dan Meuse

1. Dan Meuse: Today's topic is the SHOP Exchange – who'd be using it, which business will use it (particularly to access tax credits) and providing a SHOP for those employers interested in providing more choice than would be doable on the regular market? We've discussed the various models for SHOP, for example setting up a choice model for employees.
2. Today we'll hear from John Kingsdale and he'll help us think through the models available to RI. Since we last met we went through the process of assessing the impact of each of the models and if we chose any given one, understand what would change and how premiums would be affected?
3. John Kingsdale – We'll touch on three things: 1) overview of the models Dan referred to, by which we mean what kind of choice employees would have in a small business health options program (there are 4 models), 2) what kind of impact on adverse selection choice would generate, i.e., increases in premiums given more choice than employees typically have in today's market, and finally, 3) implications related to rating and billing issues.
4. John Kingsdale clarified that this is Wakely's analysis, not the state's. There is still federal guidance pending, and this is a work in progress and we're looking for input this morning. We're hoping to share it and help folks understand and then get input on the various employee choice models.
5. Presentation by John Kingsdale:
    a. Based on employer, employee and carrier feedback, we eliminated two models – the regional model involving multiple states and an approach where there would be competitive bidding process for a single issuer.
    b. Based on research done in other states, we added two other possibilities – Conventional one plan and One-issuer/multiple plans.
    c. Ted Almon: who didn't like the competitive bidding for a single issuer? John answered that employers and employees didn't like it and did not trust the state to choose a favorable plan. Ted: so it wouldn't have been a public option, it would just be the one plan? John answered that was correct.
    d. Stacy Paterno – it was just based on these focus groups? John answered there were focus groups and research.
6. There are four models: two models are single-issuer and two are multi-issuer. The federal government requires at least one multi-issuer plan offering a product at a silver level, then there's full choice/menu including all tiers and multiple plans.

7. Ted Almon: theoretically you could get billed from every employer for different employee choices?
8. John answered that you would have to aggregate the premium: SHOP would bill employer and employer would deduct employee contributions from payroll and remit premium payment on behalf of the employees on a monthly basis to the SHOP exchange and then distribute it to the carriers.
9. Ted Almon asked how co-pays and deductibles would work. John answered that that would be between employee and provider. If there's a co-pay when you see the doctor, that's paid at the point of appointment in the office.
10. Ted asked about HRAs and John explained that the nature of the benefit plans being offered and whether there's any accompanying funding mechanism by the employer is mostly to be determined, but would be largely like what you know today.
11. Ted Almon: there will be relationship between complexity and cost. John agreed.
12. John continued: There are a few considerations as we review the models: today's market including employer/employee demand, ACA requirements (choice of insurer), enhancing consumer choice, limiting confusion, increasing competition, adverse selection and operational needs.
    a. John explained adverse selection: Employees with considerable choice may self-select into plans that end up increasing cost across the market.
13. This is an example of the Employer Choice process in 2014:
    a. Broker/agent ~ SHOP or go outside the market ~ Benchmark plan ~ contribution levels ~ employee choice model ~ subset of plans? ~ other…
14. This is an example of Employee Choice process post-2014:
    a. Can I afford the benchmark? ~ How do other options compare with benchmark? ~ How does spouse's plan compare? ~ Add adult kids? ~ Who/what is covered?
15. Elaina Goldstein: Federal government used to have multiple choice plans and we've heard throughout all of this that we'll have access to the same plan our Members of Congress do. A good way to explain this might be that this is the same kind of options and choices that the federal government employees have become used to.
16. John Kingsdale: the upper right model (on slide 12) shows you one plan, one benefit level across carriers and that is more similar to the federal government or large employer models. The bottom right model showing a full menu is more closely aligned with buying on your own and what that experience is like today.
17. Dan Meuse explained this presentation is less about how to explain to employers and employees and more about the state making a policy decision.
18. Elaina Goldstein – the easier we can make it the easier it is for people to process all of this information.
19. Jay Raiola: I am very excited about being able to deliver choice for my consumer groups. I think enhancing competition is a major objective in all this. When you say in the existing market its "take it or leave it" I'd agree if we're talking a few years ago. The response among employers as far as offering more choice has really improved. United Health will be offering a single-carrier with 15 different

plans from $0 deductible to $1,000. BCBS has a few products with a few choices each.

20. John – so that would be like the veritable choice? One issuer with multiple tiers?
21. Jay Raiola - Yes. When I decide whether to go through the SHOP or not its about rating methodology and administrative simplicity. What is my reporting methodology? It gets blown up where you have 25 people on 25 plans. Also under multi-issuer with one tier across them all, if I have 3 at age 55 and 3 at 25 and 3 at 40. What happens when they all go to different plans? Do I lose 20% on the premiums because I've blown up the group?
22. John - those are great points and we're going to talk about adverse selection. On the HRA, FSA, etc. questions, the Exchange would accommodate those kinds of accounts and there'd be options at the bronze and silver level where there's significant deductibles, they will accommodate a pre-tax dollar contribution by the employer. On the other issue of a unified risk pool, where they're rating under strict state rules and rating the entire group and setting rates knowing the group could or might be fragmented among different carriers and that has a role in the premium calculation. We'll get into that.
23. Ted Almon: the whole concept is that breaking the population into groups of who they work for – that will go away and the aggregator will be the Exchange. All the small employers will look like one self-funded ERISA plan.
24. John Kingsdale: In VT they're putting all small employers into the SHOP so that would be true. In RI it's voluntary, but of course many may decide to stay outside SHOP. Ted added that we should think about whether we let them do that.
25. Elaina Goldstein: is there a way to say the employer has a set of options and then once the employer selects a set – assuming the state has gone with the full menu – and the individual wants more than the employer is offering as a base? Is that possible?
26. John Kingsdale answered that would be possible but would be more costly because there's a higher benefit level. This also raises the question of whether the state wants to require the offering of a Platinum level plan to begin with given that it would be more generous than a typical employer plan today. Employers want to know their budget and have a fixed contribution amount.
27. Mark Deion: these are nice choices, but which one is the one that stems the rate of increases in rates over the next decade? The basic premise of the ACA was to maximize the number of people insured and that would lead to savings and affordability?
28. Al Charbonneau - I find your assertion that they're not interested in savings within the bidding to get one carrier model, hard to accept.
29. John Kingsdale answered that they were interested in savings, just not that model.
30. Deb Faulkner – the idea of a single issuer really caused backlash. There were a few elements to that – mistrust of the state, they fundamentally believe that competition is dependent on more players. We can test that more, but we really thought that was surprising given the disinterest. Also surprising was the expectation of how much you'd have to reduce cost in order to make that choice appealing.

31. Ted Almon: you'd have to allow the winner in the one-winner scenario to have all that businesses. There's a lack of understanding as to how all this would work.
32. Deb Faulkner - this is hard to test because it's confusing, but the reaction on this particular one was strong enough that we backed away from it.
33. Mark Deion - from a business perspective, competition should drive cost down and in healthcare, this causes an opposite effect.
34. John - a big issue with competition currently is that if a carrier wants to offer something differently today you have employer saying they're interested in cost-reduction but I have to please my employees and if they can't see their provider then I'm losing money and have a big headache. The choice model allows the employer and employee to get a line around those. The idea here is that you will create a demand for lower-cost alternatives.
35. John then discussed the factors of adverse selection (from presentation).
36. Dan Meuse began a discussion of Pro's and Con's of these models:– we wanted to have a discussion around the impacts that John outlined for us. Jay alluded to that complexity when you're in a choice model and it doesn't work the way employer are used to and there are variations that could make a choice model more complex. We know that offering the full menu, while popular among employers and employees, does have a cost associated with it that the entire small group market would bear. The other models have less of an impact in that respect.
37. Jay Raiola - When employers move on to other countries, their expenditures have come down.
38. John Kingsdale - MA tried the multi-issuer/one tier model for a year and are going to be expanding that option. The SHOP has not proven popular in that state.
39. Dan Meuse - we know the state will have to do the multi-issuer/one tier model under federal regulations. Is there an expansion into either one-issuer/multi-tier or the full menu model that is desirable?
40. Someone asked whether he thought we'll see a barrier getting carriers to do full menu?
41. Dan answered the adverse selection concerns make it not the first choice. The carriers aren't like to refuse to participate if that ends up being the state's choice, but we're aware that it might raise costs.
42. Ted Almon - this extra layer of aggregation is a problem. The exchange is taking the place of employers. We can require employers to cover the aggregate cost, but the exchange is designed to be an individual market because lives would be aggregated on a higher and simpler level and the administrative cost would be reduced. All individuals could take the money they'd have anyway from their wages and go buy whatever it is they want.
43. Dan – we're looking into that, we just haven't done an impact analysis. There's interest in doing that and some other states have gone down that road, too.
44. Stacy - how many lives are we talking?
45. Dan - 17-19,000 lives. The sustainability question was addressed in June. That conversation applied to the entire exchange and the costs run as one program.
46. Chris Koller - could a full menu SHOP model be an individual market with a different door?

47. Dan Meuse - that's one of the questions. These questions are all interdependent. If those two groups of health plans are exactly the same, then a full menu for employees will look exactly like walking into the individual market exchange.
48. Deb Faulkner - We have to do a SHOP and doing that full menu, employer contribution model does not count towards the federal requirement and we have to offer that multi-issuer/one-tier model under the law. A demonstration project to do the employer contribution model is a possibility.
49. John - this is still group insurance with COBRA, HIPAA and other regulatory requirements and the cost of covering can still be pre-tax.
50. Elaina - take out one-issuer. That model doesn't change anything. The SHOP changes things by offering choice.
51. Stacy Paterno - Who decides whether you require the platinum level or not?
52. Dan answered that that will be up to the Exchange.
53. Dawn Wardyga - to get at one critical issue is the concept of choice and that leads me to want to eliminate the one-plan and one issuer/multi-tier models. It sounds to me based on what we started out to do at the beginning of this process was to expand choice. Let's limit it to Multi-issuer/one-tier and Full menu
54. Ted - its choice but its also cost. IF you limit carriers you theoretically get better cost.
55. Dawn Wardyga - but limiting it to one plan hurts choice.
56. Ted - you might limit the end-marketability by doing that.
57. Stacy - Today they're in the one-plan model. The one plan and one issuer models are that different then, right?
58. Dan - theoretically the shop will be structured so that a small employer could go to the broker and get insurance and tax credits and do a number of things: there are costs for going with one plan for everyone and here's what employees would pay OR tell me what you want to pay and employees will go choose a plan based on what you're contributing. We didn't want to force employers into a different model if all they're looking for is the tax credit and all they want to do is choose a plan to offer their employees.
59. Ted - you've got to get the employers out of the collecting co-pays and deductibles. The best way to do so is for the carrier to bill the subscriber. The Exchange can aggregate, but the idea of the provider collecting them just doesn't work.
60. Amy Black - too much choice is no choice at all. It overwhelms people and inhibits their ability to make the right choice for their needs and their budget. The full menu concerns me in terms of the level of choice. Does it actually benefit anyone at that point? Even multi-issuer at one-tier is still a lot of choice. Having to choose across richness of benefits and plan design is just too much.
61. Elaina – I disagree because if you don't provide more options through the Exchange there will be a backlash regarding nothing changing. People want different things in terms of benefits and that's why people want this Exchange. There truly will not be too many choices.
62. Deb Faulkner - this fundamental debate is hard – choice is great, but what do we mean by it and what's important to people? The issue of benefit level versus

issuer and its network is really the difference between the top and bottom models here (on page 7 of the presentation).

63. Dawn Wardyga - when my family was on the FEHBP and had a child with special needs, we had to research the plethora of plans and their various levels of plans – and we were concerned about the best plan for him to get the most comprehensive coverage – that was an overwhelming task. Looking at the Full menu model that seems too overwhelming. The Multi-issuer/one-tier model, too. You never know if you did it right. We need to find something in between –
64. Amy added maybe that comes in the form of ability to "buy up."
65. Rebecca Kislak – there's a need to limit choice and make it easy and instill confidence in the consumer that they're making good choices, too.
66. John: limiting the number of plans within one of these models. One state was considering the full menu but given whatever the benchmark plan was, the employee could only buy up one level – so if the employer chose a bronze plan, the employee could only buy up to a silver-level plan.
67. Matt Harvey: the same tools to assist decision-making will apply on the small group level as the individual market level.
68. Ted: decision-support tool that leads you to consider a given plan…
69. Dan: those are built into the UX-2014 model and the assumption is that they'll be built into our solution in RI.
70. The meeting adjourned at 9:45 am.